

ASHESI UNIVERSITY COLLEGE

**INVESTIGATING THE FINANCIAL COMMITMENTS OF
STUDENTS TO THE REPAYMENT OF STUDENTS LOAN IN
GHANA**

By

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DECLARATION

I hereby declare that this dissertation is the result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Candidate's Signature:

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Date:

I hereby declare that the preparation and presentation of the dissertation were supervised with guidelines on supervision of dissertation laid down by Ashesi University College.

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ABSTRACT

This study sought to find out the financial repayment commitments of beneficiaries of the Student Loan Trust Fund (SLTF) in Ghana. It also assessed the practises which the student's loan scheme is managed and operated in Ghana. In order to do this, questionnaires were distributed to beneficiaries of the SLTF and interviews with selected top management of the SLTF were conducted. Results of the research on beneficiaries of the SLTF centred on the following areas: employment status, loan repayment status, beneficiaries' perception of the repayment period and interest rate. The interviews were centred mainly on views of the SLTF management on the following areas: their views on the attitude of beneficiaries towards paying back their loans, the measures put in place to encourage beneficiaries in repaying the loans and the measures available to sanction beneficiaries who default on their loan repayment and their employers who do not fulfil their obligations to make monthly deductions from the salaries of their employees who are beneficiaries of the SLTF.

Analysis generated from the data that was collected concluded that the employment status of beneficiaries of the SLTF, interest rates and repayment period are major factors that affect the attitude of beneficiaries towards loan repayment. The study also identified the problem of inadequate database to aid the SLTF in tracking the beneficiaries of the loan in the long run.

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Chapter One: Introduction

This paper seeks to understand and explain the concept of the student loan system in Ghana and provide readers with a practical more detailed understanding of the concept. This study will be focused in Ghana. It also seeks to draw attention to the conditions that make the student loans operate successfully in Ghana or otherwise. The objective of this research is to investigate the actual experience of student loans in Ghana and assess whether the repayment rate of students are high or low and in the process determine the prospects of reform in the light of this experience

1.1 Background

Student loans are loans that are offered to students which are used to cover their education related expenses such as tuition for college, accommodation expenses, and textbook expenses. These loans are offered to students at a low interest rate and they are not required to pay back until they have completed their education. These loans are a major component of the tertiary educational system in Ghana.

Student loans were first introduced in Ghana in 1971, but the scheme was abandoned the following year, due to a change of government. A revised scheme was introduced in 1975, but faced problems of high rates of default. Attempts to improve recovery since 1986 have had some success, but in 1989 the Government of Ghana introduced a new student loan scheme, which is administered by the Social Security and National Insurance Trust.

The loans are paid back by the students who benefitted from them in instalments when they graduate. The payments are either taken out of their monthly salaries or the students use a process used by student loan defaulters called loan consolidation; Consolidation is the process where multiple loans are replaced with a single loan usually with a lower monthly payment and takes a longer period to pay back. It is also a way by which graduates are able to recover from their defaulted loans.

A defaulted loan in this case is basically when the payment of the loan becomes due and other options for delaying payments such as student loan deferment cannot be used again. According to an article, Debt Composition and Attitude towards Education Loan among Malaysian Graduates by Nor Rashidah Zainal and Norlia Ismai", "Malaysia shows a worrying trend in the Malaysian higher education environment, students graduate not only with diplomas or degrees of their disciplines but also with debts. Graduates with debts becomes a serious issue when many of the graduates faced difficulties in repaying not only their education loan but also other debts that they create since entering the job market" (Nor Rashidah Zainal, 2011).

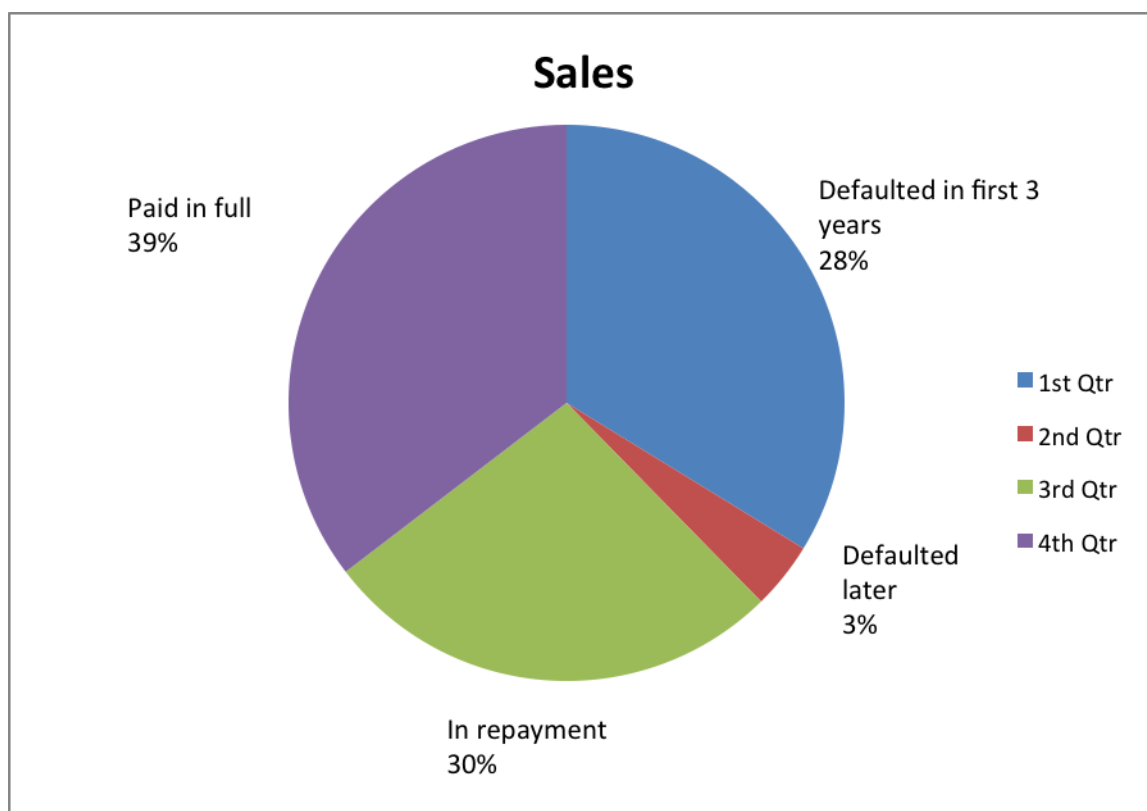
Research states that in Canada, "About 128,000 students consolidated their student debt after graduating in loan year 1994-95". It usually takes place six months following graduation, after which students have up to ten years to repay their loans with interest. These loans would typically be structured with a ten-year repayment schedule. Nine years after consolidation, in 2003, 39% of student debtors had repaid their loans in full, while 30% were still making payments. The remaining 31% of student debts were in default (i.e. had been in arrears for three months or

longer) (*Chart 1*). Most of those who defaulted (90% of defaulters or 28% of debtors) did so within 3 years of the consolidation of their loans. In other words, repayment problems, if they appeared, tended to appear soon after consolidation. The chart below shows the loan status of 1994-1995 consolidations as of September 2003” (Kapsalis, 2006)

Chart 1

Loan status of 1994-95 consolidations as of September 2003

(Kapsalis,2006)



In Ghana, it was acceptable for students to consolidate their student loans in the past but presently the problem of credit crunch in the economy has eradicated this option.

This paper discusses the issue of the student loan repayment system in Ghana. The study further attempts to question whether the Ghanaian graduates have a positive attitude towards the payment of their educational loans or not. 30 beneficiaries of the SLTF and their attitudes towards repaying back these loans will be examined, 30 graduates will be interviewed because of the problem of time and money constraints. The proximity of where the graduates will be available for this research is very far so in order to be able to manage time and money properly, 20 graduates will be sufficient for the course of this research. Currently in Ghana the education debt-to-ratio is found to be in the range of 1.8 percent to 12 percent where a ratio beyond 8 percent is deemed unsafe.

1.2 Problem Statement

With the rising costs of higher education, education loan has become an important financing tool for students from all income levels although it was originally meant for the middle class (Bertola and Hochguertel, 2005). The Ghanaian government realised a need of students to pay their loans and responded by providing these students with loans at a lower rate of 10% as opposed to the normal loans rate of 25%.

An article by N. Kotey on Student Loans in Ghana stated, "In January, 1989 a new loans scheme was put in place. This scheme is financed with funds provided by the Social Security and National Insurance Trust (SSNIT). Central government has given SSNIT initial capital to be invested so as to meet government's obligation of paying 16 ½% as interest on the

loan while student borrowers pay an interest of 3%. Another feature of the current scheme is that when borrowers are employed their total monthly contributions to the Social Security Scheme will be used to defray the loan until repayment is completed. Students who are contributing to the scheme will start repayment immediately after borrowing”.

The problem of student loans faced in Ghana is that theses graduates do not pay, according to a news report on SSNIT “In their efforts to create global awareness, educate and sensitize beneficiaries of the SSNIT student loan scheme, the Social Security and National Insurance Trust (SSNIT), launched the loan repayment program at the Embassy of Ghana in Washington DC on Wednesday, August 25, 2004. The initiative is to recover about 25 million dollars outstanding debt due for repayment by beneficiaries of the SSNIT loan scheme, an educational funding program initiated by the Ghana Government since 1988 to help fund tertiary education”

1.3 Objective

The objective of this paper is not to make a case for or against the Students Loan Scheme in Ghana but to investigate the actual experience of beneficiaries of the SLTF and the administrators of the students’ loan scheme and assess its feasibility and the prospects of reform in the light of this experience. The specific objectives that will aid this research in achieving its main objective are outlined below:

- To investigate and understand the process employed in the current student loan scheme in Ghana

- To identify factors responsible for successful repayment of student loans in Ghana or otherwise
- To discuss strategies that could improve the performance of the loan programs in Ghana and make recommendations based on the findings of the research

1.4 Significance of the study:

The main point of impact on this study will be on the SLTF in Ghana. This research will be used as a source of secondary data for research related to student loans in Ghana since there is little information on the subject in Ghana.

1.5 Methodology

The study was conducted using an exploratory research approach; this was used because it serves as a tool to aid in identifying problems or opportunities that exist in the student loan scheme. It will also provide a comprehensively detailed understanding of how the Ghanaian student loans are operated and the variables that affects its success or otherwise. The sampling method which was adopted is purposive sampling. This method was chosen because of the nature of the research, it was best to select an available loan agency in the country and investigate how the system actually works, and in the process know its pros and cons.

The research design which was also descriptive comprised of both primary and secondary data. The primary data was obtained from interviews taken of Ghanaian graduates who are holding diplomas or degrees from private and public higher educational institutions in the country. Interviews were also carried out on representatives of the SLTF in Ghana. A sample of 30

respondents staying in Ghana was used for the research. The instrument which was used in this research was a self-administered questionnaire which was focused on the attitude of the respondents towards their educational loans.

The questionnaires administered comprised of closed and open ended questions, open ended questions were used because it gives room for possible expansions on the subject matter the research is based on.

The secondary data the research is based on is from already existing literature on student loans locally and internationally. This will be obtained from an extensive study of literature on the internet, articles, journals and additional information obtained from the websites of the existing student loan agencies in the world.

1.6 Scope of the Study

The study seeks to investigate the student loans scheme in Ghana and understand the collection policy of loan agencies in Ghana. It also attempts to investigate whether graduates are paying back their students loans and the factors that affect the result of the. This paper also looks at all the conditions necessary to ensure that the sustainability of the student loans system is encouraged in Ghana.

1.7 Chapter Organization

This study is comprised of five chapters:

Chapter One: It provides a general introduction to the study and gives a brief background of the topic that is being worked on. The chapter also seeks to inform the reader about the objectives of the paper, its significance, its problem statements, research questions and the general scope of the study.

Chapter Two: This chapter is concerned with the literature review that is concerned with the paper and the type of theoretical framework that was employed.

Chapter Three: It basically explains the methodology that was employed in the research and it comprises of the study design used, the type of sampling that was used and the subsequent data collection methods that were employed.

Chapter Four: This chapter examines and explains the type of data that was gathered from the previous chapter

Chapter Five: It provides a summary of the findings generated from the study; it also presents conclusions and recommendations obtained from the research study.

Chapter Two: Literature Review

This chapter is concerned with the literature review that is concerned with the paper and the type of theoretical framework that was employed. It seeks to explore what has been written about student loan schemes in Ghana and other countries, understand what has been done in the area and determine whether what has been done or is being done has an effect on the success of the different loan schemes in the various countries that will be researched upon.

2.1 Introduction

Background of the study

In the past years, education has helped improve the pace at which technological advancements have made a huge impact in a country's economic growth. One key issue that arises in the area of education is the issue of children from poor income families who cannot afford to pay for their education.

In 1988, cost-sharing policy in higher education was adopted by the Government because it viewed cost sharing in public higher education to be necessary in order to maintain the quality of academic programs, improve access to higher education, while simultaneously containing government fiscal expenditures in public higher education (Ishengoma, 2004)

2.2 Student Loans

Student loans are offered to the financially disadvantaged students by the government. “Targeted at the disadvantaged, subsidized loans schemes may lead to greater access to university education for the poor and minority groups, thus contributing to social equity” (Hua Shen, 2008) “Around 50 countries currently operate government-sponsored student loan programs, and several more are considering or planning the introduction of student loans” (Woodhall, 2004).

“Most loans schemes offer traditional mortgage-type loans. With mortgage loans, repayment is made over a specified period, usually with fixed, monthly or quarterly equal payments; designated interest rates and a maximum repayment horizon define the size of the fixed, periodic payments. The maximum repayment period differs across such schemes, varying from five years in Latvia to forty years in Egypt. In a number of countries, including Australia, England & Wales, Ethiopia, Ghana, New Zealand, Sweden and South Africa, loans are repaid as a proportion of a graduate's income in each year (income contingent repayments)” (Hua Shen, 2008)

The general issue with student loans is the default rate of students in paying back their loans, “Some schemes are regarded as highly successful, but others face huge difficulties. A few loan programs have already been abandoned” (Woodhall, 2004)

This chapter will be focused directly on the attitude of students towards repayment of student loans, seeks to understand whether these students pay back their loans and also tries to determine the challenges if any that exists to them in the course of the repayment the students loan.

2.3 A Review of the student loan scheme:

2.3.1 Understanding student loan schemes in general

According to UNESCO Institute of statistics, Ghana has a total population of 22,113,000 as at 2005. It is a low income country just like most Sub-Saharan African (SSA) countries. The average Ghanaian lives on less than \$2 a day and as at 2005 the per capita income had increased from \$450 to \$600 per year (Ghanaweb, 2005)

According to Brock-Utne (2003) after over a decade of pressuring developing countries and donor community to cut down on higher education and give priority to basic education, the World Bank has come to realize that higher education is essential for the survival of a nation. In the words of Henry Rosovsky, Professor Emeritus, Harvard University, and Co-Chair of the Task Force on Higher Education and Society:

Higher education is the modern world's "basic education," but developing countries are falling further and further behind. It's time to drive home a new message: higher education is no longer a luxury, it is essential to survival (Brock-Utne, 2003)

"In a proposal presented by the Government of Ghana to the African Development Fund (ADF 2003), Ghana spent about 4.2% of its Gross National Product on public education as compared to 3.5% for Africa and 3.9% for Developing Countries in general" (Atuahene, 2008).

"The financial costs of college and university in the United States are growing astronomically, just as the importance of having a college or a university degree. The dilemma become strikingly clear: you have to go to

university in order to obtain a good job, but you seem to have to have a good job to be able to afford to go to university in the first place.” (Parry, 2012)

All over the world, government sponsored loan schemes are set up not only to aid students evade the problems of paying their fees upfront and also delay their loan payments until they begin receiving higher salaries which university graduates are entitled to, governments also set up these student loan schemes to alleviate the pressure on national budgets by facilitating greater cost sharing which is done through the increment of tuition and other fees associated with university education.

The conditions for government sponsored student loans are softer than regular commercial loans; this is because student loan benefactors receive a subsidy which basically means that they are not expected to pay back the full amount of loans that they receive. They are given below the market interest rates, interests are not levied on their outstanding debts during their study period and also during the grace period they are allowed after they complete their studies. The rate of inflation of the country's economy is not linked to them in terms of the repayment of the loans.

2.3.2 Advantages of Student Loans

There are series of advantages of student loan schemes in different countries, advantages such as greater cost recovery being able to aid in the provision of additional funds in the government which can be used for the expansion of its university system. “Student loans are able to relieve pressures on national budgets by facilitating greater cost sharing though

the raising of tuition and other university fees. They both enable students to avoid the burden of the up-front payment of increased tuition fees, as well as enabling them to delay loan repayment until they are in receipt of the higher salaries that generally accrue to university graduates” (Hua Shen, 2008)

“Countries with different political and socioeconomic systems are undergoing similar patterns in reforms of finance in higher education, providing an instructive basis for analysis in various national settings” (Liu, 2007). Johnstone discussed three solutions to financial austerities in higher education: 1) advocating the importance of higher education to get more public revenues, 2) cutting the underlying cost of higher education, and 3) obtaining revenue from alternative sources. (Johnstone, 1998)

With the level of globalisation in the world today, many families value the education of their children which creates an increase in the demand of tertiary education, this demand can only be met if there is an expansion of university systems.

Another advantage is that these student loan schemes are targeted at the financially disadvantaged students giving them a better access to a university education which leads to the group of people in the poor and minority section of the society giving them opportunity of higher education, thus contributing to the social equity of these countries. Furthermore, loans that are offered with a favourable condition in countries aids students the opportunity of studying in different particular fields which leads to the losing of the skilled manpower bottleneck that inhibits the development of the economy socially and economically.

Although student loan schemes are employed across countries around the world, they each have their own underlying objectives, sources of initial funding, the amount of students that can be offered loans, the procedures that will be followed to allocate loans to students and the collection methods that will be employed by the agencies in the repayment of the loans.

2.3.3 The problem of high default rates in Student loans

According to a literature projected by (Bertola and Hochguerte, 2005), “with the rising costs of higher education, education loan has become an important financing tool for students from all income levels although it was originally meant for the middle class” (Bertola, 2005). This taken into consideration, it can be realised that often most students begin to create debts immediately they are registered for a college education.

A study which compared student loans in England and France realised that student loans are the main sources of funds among students in England while for French students, the main source of their finance is contribution obtained from parents, family and friends. From this study mentioned, it is realised that in England, student loans are the foremost debt mechanism among English students. “In other countries like Australia and the United States, almost every graduate received some kind of financial aid for their higher education and government loan was the most important source besides the financial institutions and private bodies. Similarly in Malaysia, study loans provided by the PTPTN (Perbadanan Tabung Pendidikan Tinggi Nasional Malaysia) was the most dominant source of financial aid for students, especially in private higher education institutions (Nor Rashidah Zaina, 2009).

The success of a student loans scheme is based on the extent at which student lending bodies are able to recover back the loans that were borrowed from them. Research has proven that most student loan agencies in the world have difficulties in recovering back students loan.

"The difficulties encountered by student loan institutions have been the high level of default due to a combination of external factors such as unemployment and internal factors like poor management of the loan recovery function. In Kenya, for instance, the large majority of loan beneficiaries (81 percent) did not repay. In the United States and Canada, the rate of default was about 17 percent in the federal programs throughout the 80s. The lowest default rates have been observed in Sweden, Hong Kong and the Canadian Province of Quebec where students are protected by a system of income-contingent payments in the form of a maximum proportion of income which can be applied towards repayment of a student loan (between ten and 15 percent)" (Salmi, 2003)

The ability to analyze the problem of high default in the repayment of student loans has attracted a great deal of research effort. "Non-repayment of the loan among university students after they have graduated becomes a major problem to the government since the total amount of loan available to the students is depended on the loan repayment" (Elistina Abu Bakar J. M., 2006)

2.3.4 Attitude of graduates in paying back their loans

"A survey on 1500 undergraduates at Universiti Putra Malaysia revealed that many students perceived education loan as a burden and a significant proportion of them have negative attitude towards the loan repayment"

(Elistina Abu Bakar, 2006). Using this knowledge and going on further to investigate student's attitude towards educational loans, an article by (Norvilitis et al) which states that "Students at higher institutes of education were very optimistic about their future earning potentials and that this optimism was unrelated to their academic performance" (Norvilitis, 2003) was made reference to. Student's level of optimism is one of the factors that influence the accumulation of their student loan debts; this is due to the fact that because they believe that their financial state of affairs is temporary and that their student loans will be repaid back easily as soon as they graduate from their colleges. This becomes the expectations that they perceive which is basically that when they graduate and start working, their income level will increase and these debts will be paid off easily then.

Taking a critical look at this, one realises that these students expectations increase as they graduate which also means that they put off paying these short term debts to when they feel they are more comfortable financially which leads to an increase in their debt level. In other words, the students have underestimated the duration of time that is expected for them to repay their loans and they have also overestimated their capability to repay the loans in the process. An article states that "Studies among low income borrowers revealed that students with high education loan debt had lower average salaries, resulting in higher average payment-to-income ratios, which makes the repayment difficult. (Price, 2004).

According to observation from the available literatures, it has been argued students who have a high level of debts to student loan agencies are more likely to pay back than students with a low level of debt to student loans,

this is because the students with the high debt level are perceived as more educated and thus will be more successful in their different job fields as opposed to students with a low debt level who are perceived as having a lesser degree of education. This when critically examined is a variable that can be associated with the repayment of student loans.

“Wrinkle (1990) however suggests that students loan programme can eventually become self-financing through repayment of students loan but this has not occurred for example in Latin America as a result of high growth in the programme, repayment defaults and failure to index repayment to inflation which in some cases have effectively converted the loans into grants” (Acheampong, 2010)

“In Brazil, Wrinkle notes, high annual rates of Inflation combined with a default rate in excess of 50% led to discontinuation, in 1980, of the educative programme initiated in 1976. In Kenya, indicated that non-payment of loans was as high as 81 percent so that even with strict repayment terms, little revenue returned to the lender” (Acheampong, 2010)

“According to the World Bank (1987) experience date with loan scheme in some industrial and developing countries has been disappointing. The World Bank report that because of heavily subsidized interest rates, high default rates and high administrative cost, the repayment proportions to the loan recovery ratio has not been very significant. It notes further that, in some cases the financial performance of loans schemes has been so unsatisfactory that would be cheaper to substitute loan with outright grant” (Acheampong, 2010)

2.4 Student Loans Scheme in China and Thailand

“The opportunities for increasing student contributions to the costs of higher education are many. Student loans have received much attention both in literature and in practice. While they have not always worked well, we have argued that suitably reformed, they can constitute a productive, though limited, mechanism for cost recovery. Currently, loan programs exist in over 50 developing and industrial countries, and have been introduced most commonly to assist students to pay their living expenses” (Albrecht, 1992)

2.4.1 A case of China

Different loan schemes apply to different countries; examples are taken from Thailand and China. The student loan scheme in China changed twice during its implementation, the first was in 1986. During this time, there were 1,954 institutions in China but the loan scheme was introduced in only 85 institutions. This later changed in 1987 when institutions in the whole country had access to the loan scheme program. This was implemented following the document on “the implementation method of the student loans scheme in REHI undergraduates. Under this method, private institutions managed the student loan scheme and students were entitled to only 300 Yuan per year for their feeding expenses. The range of loan coverage that was expected was 30-35%.

The student loan scheme was later modified by the government in September 1993 as a result of the increase in price index and consumption level in the country which led to average loan sizes being required to be increased. Under this new scheme, student loans became flexible as basic living demands of students set by the various institutions

were taken into account. This made it possible for loans to exceed the initial 300 Yuan per year for each student. Also, there was the issue of higher tuition cost of students in the tertiary level which meant that poor students could not afford to attend higher education. The scheme took care of this by seeing the need to expand the coverage rate of loans to students based on the number of poor students in the country.

“In September 1993, the government modified the policy. There were two reasons for the amendment. First, the price index and consumption level went up, which required increasing the average loan size. In addition, the maximum loan should be decided flexibly, taking account of local living standards set by local governments or basic living demands identified by institutions. It meant that the individual loan could not exceed 300 Yuan per year. Secondly, the higher tuition cost meant that more poor students were unable to afford to pay for higher education. There was a need therefore to extend the coverage of loan-receiving students; the coverage rate should be decided flexibly, according to the number of poor students” (Hong Shen, 2003)

The contrast between the first student loan scheme and its amendment was wide, this is because under the first scheme, private institutions managed it and this resulted in a small average loan size of only 300 Yuan per year, in other words students received 25 Yuan per month, the duration of repayment was short and it had to be paid before the students graduated. This had its problems as the local institutions that were managing the loan scheme were short of funds resulting in poor students finding it difficult to obtain loans for their education, it was also not convenient for the students to pay back the loans before graduation

because there was no way they could make earnings without being employed. This led to a high default rate of students in paying back their loans.

China tried to curb this situation by introducing the General Commercial Student Loan Scheme (GCSLS) in December 1999 and implemented it in the spring of 2000. The GCSLS targeted students that were over 18 years old and in public and private higher institutions. The interest rates of the GCSLS are market interest rates which have no subsidy from the government. The whole purpose of the GCSLS is to try to provide a student loan scheme that is financially sound which provides student with the opportunity of borrowing 2,000-20,000 Yuan. This scheme has its own advantages and disadvantages. The advantages are issues such as the fact that its repayment periods are more flexible and under this scheme, banks have a better understanding of student's situation and are familiar with the families of the students so they can contact the students and their families when it is time for the collection of the loans.

This scheme also provides for students to be able to allocate the loans according to their area of need academically and the flexible nature of the scheme allows extra time for students to pay back the loan as opposed to the previous scheme reducing the default rate of students not paying back in the country. "Students receive loans to cover the direct cost of education (tuition fees, education supplies, including computers) and, in some cases, living expenses until they finish their studies. Then, after a short grace period to find a job, usually from six to twelve months, the graduate starts repaying the loan on a monthly basis" (Salmi, 2003)

The disadvantage of the scheme is the fact that it is targeted more on middle-income families than the low-income families, this is because the GSSLS is operated by state-owned commercial banks who shoulder the responsibility of providing funds. They choose to give loans to students that are financially secure and because most needy students cannot mortgage assets for the loans, they cannot access the loans. "Some problems exist in the GCSLS. The access to loans is unequal. The GCSLS is targeted more on the students from middle-or-upper-class families than the lower-income families in rural areas, because the families of the needy students cannot mortgage assets for the loans. The banks tend to loan money to the financially secure borrowers (not poorer students). So the GCSLS cannot quite enhance the equity of opportunity" (Hong Shen, 2003)

Although it may seem that the responsibility of repayment of student loans falls solely on the scheme's collection policy, graduates also play a huge part in the decision of paying back their loans or not. They have a certain degree of responsibility concerning their level of repayment of the student loan; most of them tend to ignore their loans until the collection period is almost over. Hong Shen supports this statement in his study, a review of student loans in Ghana, when he stated that "Certain students do not understand their responsibilities with regard to student loans. For example, some of them have very poor credit awareness, some of them seldom think of the repayment obligation" (Hong Shen, 2003)

China later made a modified policy of their student loans scheme in an attempt to reduce the default rate of the repayment of the student loans; they incorporated a longer repayment period of six years as opposed to

their initial repayment period of four years. "The shorter the repayment period, the heavier the risk of defaulting on the loan" (Hong Shen, 2003)

2.4.2 A case of Thailand

Like China, Thailand also experienced similar issues during the implementation of its student loan scheme. The decision to start a student loan scheme was brought about on March 3, 1995 in Thailand and started its operations in the academic period of 1996. It was later modified in March 1998. According to Adrian Ziderman, "The Thai student loans scheme may be viewed against the background of the accumulated experience from student loans that are in place in over 50 countries throughout the world" (Ziderman, 1999). The Thai student loan scheme is also focused on tertiary education with its main objective according to Adrian Ziderman being "to offer financial assistance to poor students and to enlarge the educational opportunities of youngsters from low-income families to continue their educational opportunities of youngsters from low-income families to continue their education, up to the level of the bachelor degree" (Ziderman, 1999).

As compared to China, Thailand also faces difficulties in the repayment of student loans under the Thai Student Loans Scheme. "It is found, on the basis of computer simulations, that current repayment conditions imply that the typical borrower will return only about 20 per cent of the loan received, in real terms (implying the receipt of a hidden grant equivalent to some 80 per cent of the value of the loan), in real terms. Moreover, the expected burden of repayment is extremely light for the typical student. Annual repayments out of annual income will be in range of 2-3.5 per cent only. These calculations point to an overly generous loans scheme,

providing borrowers with unnecessarily highly subsidized loans, which may be repaid effortlessly out of higher income received on completing courses of education.

From this, it can be concluded that the policy which the Thai student loan scheme employs is that they offer student loans at a highly subsidized interest rate so that the burden of paying back the loans on the students will be very light.

The overall recovery ratio to the loans fund on typical loans will be even less favourable. Some students will not meet their repayment obligations and the administration of the loans fund is not costless. Taking account of the probability of repayment default and adopting a level of administration costs in line with that from international experience, results in recovery ratios in the range of 6 to 10 per cent – indicating that loans would be marginally preferable to scholarships, on purely financial grounds. The broad coverage of the Thai scheme may result in economies of scale and lower administration costs; yet even so, recovery ratios exceeding 15 per cent are unlikely to be forthcoming” (Ziderman, 1999)

2.5 Ghana Student Loan Scheme

Education is very important in the Ghanaian economy, “The government of Ghana acknowledges the role of university education and the importance of the acquisition of critical skills needed for socio-economic development” (Debrah, 2008). “The need to increase funding to tertiary education, led to the introduction of cost sharing” (Chambas, 1998)

“Just like most countries in Sub Saharan Africa, Ghanaians in the low income group are faced with certain challenges when it comes to financing

higher education. The average Ghanaian lives on less than \$2 a day. Therefore, as the user fees in the public universities keep on rising every year, it becomes financially difficult for the average Ghanaian parent or parents in the low income group to send their children to the university or higher institutions” (Debrah, 2008)

“With the rising cost of tertiary education and the attendant problem of rising enrolment, the problem of funding tertiary education, reached its elastic limit during the beginning of 2000/2001 academic year. As a result of that the Committee of Principals and Vice Chancellors (CPVCs) threatened in the daily newspapers (Daily Graphic and Ghanaian Times) to close down the universities or cut down their admission intake till a solution could be found to the chronic under-funding of the universities and other tertiary institutions as a result of starvation of budgetary allocations to the tertiary sector (GhanaWeb, 2005)

The majority university students find it difficult to finance their higher education basically because they just cannot afford it. The Government became aware and sensitive to the plights of students who might not be able to take advantage of tertiary education in spite of the fact that they qualify to enter tertiary institutions. As a result of that, a loan scheme was put in place for students to help them fund their tertiary education.

2.5.1 Introduction of the Student Loan Scheme in Ghana

In Ghana, the student loans scheme is different from those of other countries. During 1971 and 1972 academic year in Ghana, a student loans scheme was introduced. Under this scheme, tuition was free for university students; the students were only expected to take loans from government

student loan agencies for their upkeep in school. This scheme was abolished due to a change in the Ghanaian government in 1972; a revised scheme was later introduced in 1975 where students who attend a Ghanaian university were allowed to obtain loans from a specific state bank to aid them in purchasing materials for studying and also for their upkeep. The central government provided the bank with the amount meant for disbursement. During 1986, the amount meant to be paid back by these students was GH\$33.48 million but the amount recovered by the bank was only GH\$184.338 with the official exchange rate stated as GH\$137 to \$US1. This poor recovery level of student loans has since been a huge problem in Ghana.

In 1986, the government made provision for an amendment law which increased the student loan levels and also contained conditions that were geared towards improving the rate at which student loans were recovered. These conditions included the fact that two public banks were made to work together in using their own funds to grant loans to students, this condition was put in place to ensure that banks that give student loans became more interested in recovering back these loans from the students since the money loaned to them was funded by the bank. Another condition set in place was the fact that students applying for loans had to have a guarantor, a parent or guardian.

The banks also had to start loan recovery immediately when graduates start their national service as opposed to waiting for them to gain full employment, under this condition, graduates who study took a longer period of five years or more had to have 15% of their national service allowance deducted and paid to the bank while students who took a

shorter period of less than five years had only 10% of their allowance deducted. This amendment law resulted in an increase in the recovery rate of student loans at a recovery of GH\$22.1million was realised from the monthly deductions of national service allowances.

2.5.2 SSNIT Loan Scheme

A new student loans scheme was introduced in January 1989; this scheme unlike the previous one is financed by the Social Security and the National Insurance Trust in Ghana (SSNIT). To compensate for the sharp rise in costs, more families are relying on student loans.

The government provided SSNIT with initial capital which was invested to be able to meet its obligation of paying 16½% as interest on loans while students pay only 3%. Under this scheme, student borrowers' monthly contribution to the Social Security scheme will be used to pay back their loans until every penny is paid back. This commences immediately the students start their national service.

There are only certain public higher education schools that can be financed by the SSNIT, this are; University of Ghana, Kwame Nkrumah University of Science and technology, University of Cape-Coast, six polytechnics seven teacher training colleges, an institute of professional studies and a school for translators.

Estimates showed that during 1988, the actual cost of students who do not stay on campus in the university is between GH\$129,000 and GH\$196,000, this estimate is for a 32 week academic year while the estimate for a 48 week academic year was GH\$220,000 to GH\$334,000. SSNIT presently administers the new student loans scheme in Ghana,

students in public tertiary institutions in Ghana are eligible to a maximum loan on GH\$ 72,000.00. Under this new scheme, students are granted loans only when they have entered an agreement with SSNIT concerning the terms of the repayment of the loans.

The loans also have to be guaranteed by three people who SSNIT approves of or who contribute to the Social Security Scheme in Ghana. "University students must have three guarantors before they can get their student loan. There is also a condition that the guarantors must be current contributors to the Social Security and National Insurance Trust since if the student should default in his/her repayments; the Social Security and National Insurance Trust has the authority to take the amount from the guarantor's pension contribution. This conditionality makes it quite difficult for some students to get guarantors for the student loan. As soon as students start working, they start paying back their student loan with interest on monthly basis" (Debrah, 2008)

Presently in Ghana, the relevant law requires that employers of university graduates who took student loans are meant to deduct some amount of monthly contributions from their salaries and then pay back to the bank. This is not the case though because employers fail to deduct from the salaries of the graduates that took student loans and the banks or student loan agencies are not really concerned with recovering the full amount of loans due to the fact that the amount recovered is sufficient to meet the student loan administration costs.

2.5.3 Procedures of SSNIT Loan Scheme

When a student receives a loan from SSNIT, he is given a provisional social security number and a membership certificate; the social security later becomes his permanent social security number when he completes his course of study. The interest rate on the loan which was the existing government treasury bill rate as at 1988 when the scheme was initially introduced is 19½%. The Ghanaian government pay 13½% of the interest rate leaving the students with only 3% interest rate to be accounted for.

The maximum duration of repayment is basically 10years but due to the fact that the duration for different course of study in universities vary from 1 to 7 years, SSNIT determines the period of time which different students are meant to pay back with relation to their individual discipline in school. On the whole student loan borrowers are expected to commence repayment immediately they gain any form of employment; either national service or full time employment.

With the high rate of defaulters, is extremely difficult to embark on any successful loan scheme in Ghana. Students owe up to 01.4 trillion (US\$154, 696,133) since its inception (GhanaWeb, SSNIT Calls For Repayment Of Student Loans in Ghana, 2004). Data available at the SSNIT corporate office reveals the stark recovery rate of Student loans in Ghana. (Atuahene, 2008)

2.5.4 Students Loan Trust Fund

The students Loan Trust Fund (SLTF) was established in December 2005 under the Trustee Incorporation Act 1962, Act 106. It was established in December 2005 to replace the Social Security and National Insurance Trust (SSNIT) Students Loan Scheme under the Trustee Incorporation Act 106 of 1962 to provide financial resource for the sound management of the Trust and for the benefits of students and to promote national ideals as enshrined in the 1992 Constitution. (Online, 2010)

A tabular representation of the different loan schemes of China, Thailand and Ghana is given below.

	China	Thailand	Ghana
Year Started	1986	1996	1971
Who is eligible?	Students from poor families	Students from poor families	Students from poor families
When do students start repaying?	After Graduation	Two years after graduation	After Graduation
Duration of Repayment and Interest Rate	6 years/5.58%	15 years/1%	9 years/3%
Default Rate	10%	31%	46%

From the above literature review, it can be observed that the default rate of the Student Loan Scheme in Ghana is high as compared to the default rate of the Student loan schemes in China and Thailand. It remains a question of why the default rate is still high taking into consideration the fact that the student loan scheme in China maintains a low default rate by making the repayment period which students are meant to pay back their loans longer, the same approach that is being incorporated in the Ghana

student loan scheme. The Ghana student loan scheme also offers loans at a highly government subsidized interest rate similar to the Thai student loan scheme. The reasons for these results will be researched in order to gain an in-depth view of what is really going on in the SLTF in Ghana.

The next section gives a better explanation of the type of research that will be carried out to achieve this objective. It basically explains the methodology that was employed in the research and it comprises of the study design used, the type of sampling that was used and the subsequent data collection methods that were employed.

Chapter Three: Methodology

3.1 Introduction

This chapter deals with the meticulous steps of how the research meant for this thesis was conducted. It will give details on the type of research strategy that was employed and the reasons for choosing them. The research design, data collection methods and sampling technique will also be included in this chapter; the latter part of the chapter will explain how the interviews that were carried out will be administered.

3.2 Research Strategy

Research strategy refers to a general orientation to the conduct of social research. There are two distinct clusters of research strategies; qualitative and quantitative research. Qualitative research usually emphasizes words rather than quantification in the collection and analysis of data. It has an inductive view of the relationship between theory and research; it stresses the understanding of the social world through an examination of the interpretation of that world by its participants and also views social properties to be the outcomes of the interactions between individuals (Bryman, 2004)

Brock-Utne also stresses this statement, according to him: "Qualitative research is holistic, in the sense that it attempts to provide a contextual understanding of the complex interrelationships of causes and consequences that affect human behaviour. In doing so it seeks to avoid both the deliberate manipulation of variables (characteristic of the experimental traditions of educational research) and the study of attitudes

or indicators as variables isolated from the wider totality (characteristic of the survey tradition) (Brock-Utne B. , 1996).

For this research, qualitative research was used. Considering one of the main objectives of the research which is to investigate whether students are paying back their student loans or not and the questions that need to be answered, qualitative approach was most appropriate for the study. This is because the use of qualitative approach facilitates an in-depth study of the subject matter of this paper. It produces a wealth of detailed information about a much smaller number of people and cases (Patton, 2002). It seeks to understand social reality naturally, make it possible to see issues from the eyes of the people being studied and it also make it possible to probe beneath surface appearances (Bryman, 2004)

3.3 Research Design

Bryman refers to research design as a framework for the collection and analysis of data. (Bryman, 2004) The research that will be conducted for this paper is exploratory, descriptive research design which is quantitative in nature will also be employed. The research was carried out using smaller and focused samples as opposed to a large sample size. Exploratory research was used because this paper is concerned with carrying out an in-depth investigation of the research topic by narrowing down the people being interviewed to those who are directly related to the topic. This research takes into consideration only the quality of information received from the few selected individuals interviewed and is not concerned with their number.

3.4 Research Method

The research method that was employed consisted mainly of interviews with 3 representatives from the SLTF student loan scheme in order to obtain information about whether graduates pay back their student loans or not.

Interviews were also be conducted with 30 graduates who took loans from the SLTF loan scheme; they will provide information on the default rate of graduates in paying back student loans and the variables that affect their attitude towards repaying back the loans. As earlier stated, 30 students were used for this research in order to try to curb the issue of time and money constraints.

3.5 Methods of Data Collection

The method of data collection that was used is primary and secondary data. The primary data was obtained using interviews and questionnaire while the secondary data was obtained using data from the internet in form of articles and also news reports.

3.5.1 Interview

An interview is explained as a normal conversation with a purpose (Creswell, 1998). According to (Bryman, 2004), "there are two major approaches that an interviewer can take. An interview can either be unstructured or semi-structured. For this research, the approach used will be semi-structured. Semi-structured interviews will be used because it provides a researcher with the opportunity of using an interview guide and at the same time being able to ask questions that are not included in the guide but relate to the specific topics that are meant to be covered.

The interviews were conducted face-to-face, through telephone calls and via emails. The approach of face-to-face interviews was used because it was easier to get in-depth answers to questions on the challenges or opportunities that the graduates who benefitted from the SLTF are faced with in the repayment of their loans and also get answers easily from the SLTF representatives.

3.5.2 Questionnaire

Questionnaires are collection of questions which are administered to respondents, open and close-ended questionnaires were used for this research, open ended questionnaires were used because it allows room for respondents to answer the questions they are given with their own understanding by either specifying their answers or state them briefly.

3.6 Scope of Study

3.6.1 Population

Population is referred to as the universe of units from which a sample is to be selected (Bryman, 2004). For this research, the target population will be the graduates in Accra who have benefitted from the SLTF, representatives of the SLTF in Accra. This research is concentrated in Accra because the SLTF office is located there and also due to the fact that Accra is the capital of Ghana, most of the students who took loans from SLTF live and work there.

3.7 Sampling Strategy

A sample is referred to as the segment of the population that is selected for investigation. It is the subset of the population (Bryman, 2004). Two

sampling methods will be used in the study and they are convenience and purposeful sampling

Purposive sampling was employed in addressing the graduates that have benefitted from the SLTF. Due to the fact that the research sought to find out the challenges or opportunities that the beneficiaries are faced with in the repayment of their loans, purposeful sampling was the most appropriate technique to use. It was also supported by snowballing to aid the research in being objective, snowballing technique will was used because in the event that representatives from the SLTF are being interviewed and they feel they are not better equipped to answer the questions and other representatives are recommended based on their area of expertise, it will aid the success of the research.

Convenience Sampling: Convenience sampling is a non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher. (Castillo, 2009)

The next chapter examines and explains the type of data that was gathered from the research that was carried out.

Chapter 4: Data Analysis

4.1 Introduction

This chapter is committed to interpreting the various data was collected during the research process. The Statistical Package for the Social Sciences (SPSS) software will be used to sort out the data that will be obtained from the research while Microsoft excel will be used to create a graphical representation of the data obtained.

4.2 Data Collection

Data collection was done through the use of interviews and administration of questionnaires. Interviews were carried out on the management of the student loan trust fund in Accra and on beneficiaries of the student loan trust fund. The interviews with the management of the student loan trust fund was to achieve the research objective of discussing strategies that could improve the performance of the Student Loan Trust Fund and make recommendations based on the findings of the research. The interviews also helped to gain insight on the views of the management concerning whether or not beneficiaries of the loan scheme pay back their loans.

4.3 Questionnaire administration

The Questionnaires administered had a total of 11 questions made up of 8 close-end questions and 3 open-ended questions. The research objectives that the questionnaire was seeking to achieve was to identify the factors responsible for the successful repayment of student's loan in Ghana or otherwise. It took roughly 3 weeks to complete the surveys. Questionnaires were handed out to the beneficiaries of the student loan trust fund after permission had been obtained from the loans repayment

officer to contact the beneficiaries. The response rate was 60% (30 out of 50 questionnaires). Respondents completed questionnaires on their own except for a few cases where they opted to answer while I filled them out for them.

4.3.1 Management Interviews

One questionnaire was designed for management interviews and a total of 3 interviews were conducted. The SLTF representatives that were interviewed were the operations manager, the research officer and the loan repayment officer. Questionnaires covered topics such as the opinions of the representatives on whether or not students beneficiaries of the loan are paying back their loans, the different ways and outlets that are available to facilitate beneficiaries in paying back their loans, how the STLF ensures that employers are aware that their employees are beneficiaries of the STLF, the measures that are put in place to sanction beneficiaries who default on their loans, the factors that facilitate the repayment of the loans and the factors that makes students feel ok with not paying back their loans. Interviews took roughly 20 to 30 minutes.

4.4 Limitations

In as much as the information in this research seeks to give the reader a detailed analysis of the repayment status of beneficiaries of the SLTF and the factors that affect their paying back or otherwise, due to certain limitations encountered in my research, the information provided cannot be adequately used for generating insights into the SLTF.

The major limitations that I encountered in the course of this study were: the sample size, time constraint and the co-operation of the SLTF

personnel and some beneficiaries of the SLTF. At the beginning of the research a sample size of 50 SLTF beneficiaries and 5 SLTF representatives was selected for the study, this however was not possible due to the time constraint and the lack of co-operation I encountered from some of the selected SLTF representatives and the SLTF beneficiaries. The research was therefore restricted to 30 SLTF beneficiaries and 3 SLTF representatives.

Field work was carried out in roughly two weeks and a half. During this time, a lot of work went into trying to convince first of all, the SLTF personnel to partake in the study and secondly to convince SLTF beneficiaries to spare me some time to answer the questionnaire.

Most of the SLTF personnel were not willing to freely grant me permission to get access to the names and contact information of the beneficiaries of the SLTF. They were concerned that it might be a bother to the beneficiaries and they felt the beneficiaries might reveal some information which may reflect badly on the loan scheme. My questionnaire designed for the beneficiaries had to undergo screening by the research officer in the SLTF and when it was finally approved it took some time for most of the beneficiaries to respond to complete the questionnaires due to the demanding nature of the jobs of some of them and the sceptical nature of most of them. Unfortunately, by the time I had some responses from the beneficiaries, time had almost run out and it was not possible for me to continue spending time trying to convince the remaining beneficiaries to fill out the questionnaires.

For this reason, I had to settle for the responses of 30 SLTF beneficiaries who granted me permission to present them with my questionnaire. This thus gave me coverage of 60% (30 out of 50 SLTF beneficiaries). I was also able to interview the three top management personnel out of the initial 5 selected. These limitations will therefore make it difficult to use this research to make generalized conclusion about Student loan schemes as well as the topic at hand. It will however give sufficient insight on the topic and with further research could possibly produce results that can adequately and generally make conclusions about the repayment of students' loan in Ghana.

4.5 Data Analysis

A total of 50 questionnaires (See appendix for sample questionnaire) were administered to the participating respondents. 20 questionnaires were unanswered – a total response rate of 60%. Nine questionnaires were returned uncompleted. The table below summarises the information provided above.

Number of Questionnaires administered	50
Total Number Unanswered	20
Uncompleted Questionnaires	9
Total Number Answered	30

The questionnaire contained 11 questions in total. The first question addressed the employment status of the respondents of the sample population. Out of the 30 questionnaires returned, 17 (56.7%) of them were employed, 3 (10.00%) of them were self employed and 10 (33.3%) were unemployed. From the responses of the questionnaires I realised that for the respondents who are employed, only 1 had paid back the student loan, 5 had not paid back and 11 were in the process of paying (paying on installment).

Beneficiaries who inform their employers of their SLTF loans

After establishing the employment status of the sample population, the questionnaire went on to find out which beneficiaries inform their employers of their SLTF loans since it is required of the beneficiaries. The table below shows the respondents that have informed their employers or otherwise. Yes No Question 2: Did you inform your employers of your student loan status?

Employed Beneficiaries	Yes	No	Not Applicable
	23.33%	30.00%	46.67%

23.33% have informed their employers of their SLTF loan which is required of beneficiaries; this is due to the fact that a majority of them felt it appropriate to inform the employers so that they don't encounter any legal problems in the future in case they can't pay back. 30.00% of the beneficiaries employed have not informed their employers of the SLTF

loans and a majority of them felt they did not want money to be deducted from their salaries. 46.67% are the percentage of beneficiaries who are either self employed or unemployed.

Can you afford to pay your student loan based on your employment status?

This question sought to find out which of the beneficiaries of the loan scheme are equipped to pay back their loans based on whether they are employed, unemployed or self employed. A total of 30 responses were received. The table below summarises the findings.

Beneficiaries	Yes	No	Non Response
	63.33%	33.33%	3.33%

Results from this question show that a majority of the respondents can pay back based on their employment status while 33.33% feel they cannot payback the loans irrespective of whether they are employed, self employed or not.

Questions 4 and 5 addressed whether the beneficiaries had paid back their loans or otherwise and the different methods that they employed to make repayment for them easier.

Have you paid your student loan or otherwise?		
Paid Back	Not Paid	In the process of paying back

3.33%	53.33%	43.33%
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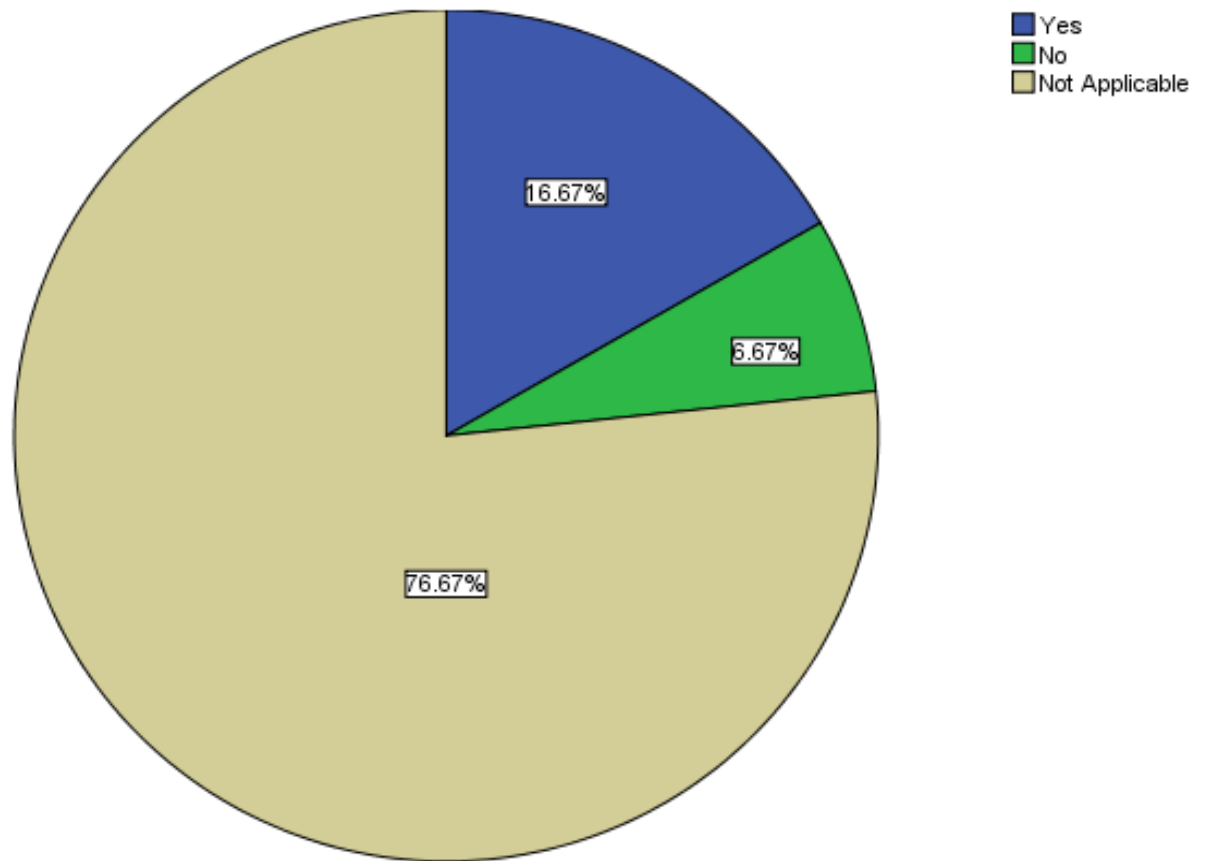
What method do you employ to pay your student loan back?			
Monthly deductions from your salary	Direct Periodic Payments	Outright payment of total amount due	Not Applicable
23.33%	16.67%	6.67%	53.33%

The relevance of this questions were to find out which of the payment options the respondents who have either paid or were in the process of paying back used the most as compared to the other options available. From the research, 23.33% of the beneficiaries interviewed answered that they pay from the monthly deductions that are taken off their salaries. 16.67% of the interviewed beneficiaries answered that they use the direct periodic payments while 6.67% paid the loan outrightly. The data collected indicates that more beneficiaries made payments through the monthly deductions from their salaries.

Are you comfortable with the monthly deductions?

This question addressed the opinions on the beneficiaries whose salaries were being deducted from on a monthly basis to offset their student loans. The table below shows an illustration of the responses from the research.

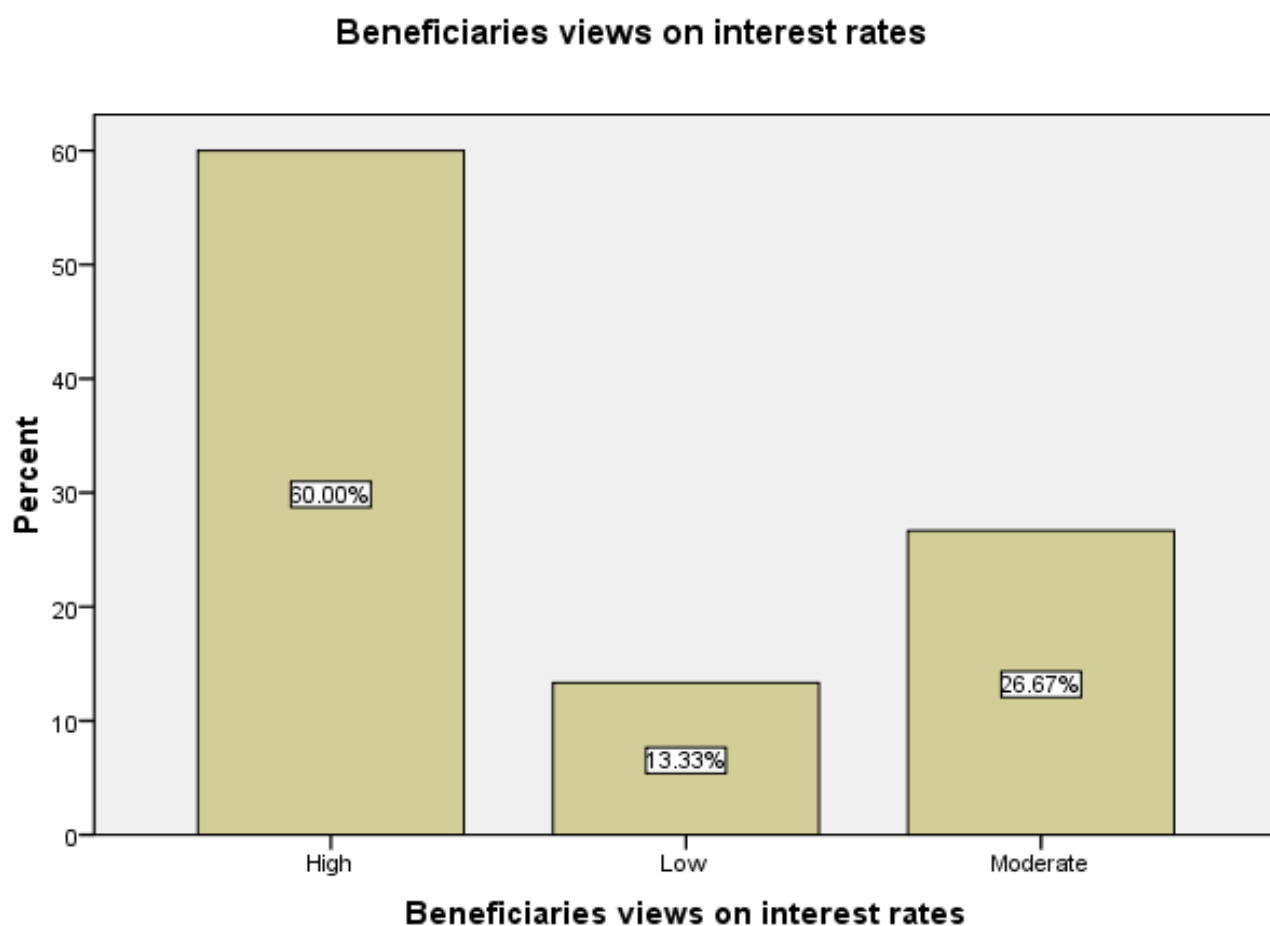
Those comfortable with the monthly deduction



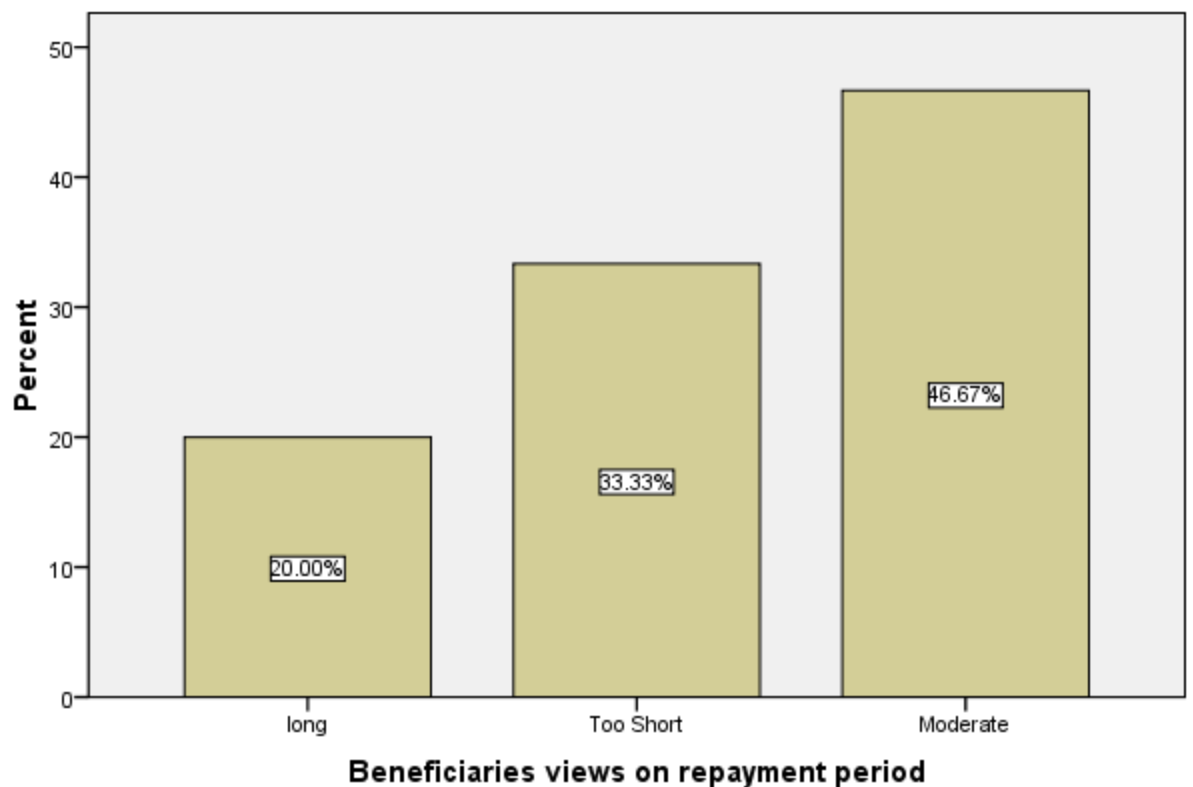
From the research, 16.67% are comfortable with the monthly deductions taken from their salaries while 6.67% are not comfortable with the monthly deductions and 76.67% do not apply because they are the percentage of beneficiaries who have neither payed back their loans or an in the process of paying back.

Questions 7 and 8 were seeking to know how the respondents viewed the interest rates levied on the student loans and the repayment period that is

allocated to the repayment of the loans. The following charts give an illustration of the responses received.



Beneficiaries views on repayment period



From the responses, 60.00% feel the interest rates are high, 26.67% feel they are moderate and 13.33% feel it is short. 20.00% of the respondents also felt that the repayment periods of the loans is long, 33.33% feel that it is too short and 46.67% feel it is moderate.

Results on the questions 10 and 11 which are open-ended questions are as follows:

What is your opinion on the repayment period of the students' loan?

During the interview, most of the respondents who have not yet paid back their loans noted that one of the reasons is that the repayment period too short and they feel that they will not be able to meet the deadline set for the repayment. Information gathered during this research indicates that the beneficiaries who have paid back do not have a problem with the repayment problem which indicates that one of the factors that may affect the level of repayment of students' loan is the repayment period of the loans

What steps do you think will be helpful in encouraging benefactors like you pay back their loans?

A majority of the respondents felt that reducing the interest rates on the loans further and increase the repayment period will encourage them immensely to pay back their loans.

Interviews with SLTF top management:

How will employers know that their employees are beneficiaries to the SLTF?

According to the research manager, the beneficiaries are the ones who are meant to inform their employers and because the SLTF does not have a good tracking system, there is no way that they are informed when beneficiaries become employed. Measures have not been put in place to ensure that employers are informed by the SLTF; here the issue of awareness comes up as the research manager stated that it would have been easier to inform employers if information about the SLTF was televised nationwide regularly.

What measures are put in place to sanction the employers who do not deduct from the salaries of the SLTF beneficiaries when informed?

A cross-tabulation was done of the employment status of beneficiaries of the student loan against their repayment status. The table below gives a representation of the result.

Employment status * Status of Beneficiaries loan repayment Crosstabulation						
			Status of Beneficiaries loan repayment			Total
			Paid back	Not paid	In the process of paying back	
Employment status	Employed	Count	1	5	11	17
		% within Employment status	5.9%	29.4%	64.7%	100.0%
		% within Status of Beneficiaries loan repayment	100.0%	31.2%	84.6%	56.7%
	Self-employed	Count	0	2	1	3
		% within Employment status	.0%	66.7%	33.3%	100.0%
		% within Status of Beneficiaries loan repayment	.0%	12.5%	7.7%	10.0%
	Unemployed	Count	0	9	1	10
		% within Employment status	.0%	90.0%	10.0%	100.0%
		% within Status of Beneficiaries loan repayment	.0%	56.2%	7.7%	33.3%
Total	Count	1	16	13	30	
	% within Employment status	3.3%	53.3%	43.3%	100.0%	
	% within Status of Beneficiaries loan repayment	100.0%	100.0%	100.0%	100.0%	

The cross tabulation sought to determine if the employment status of beneficiaries of the student loan affects their repayment or not. From the table above, 5.9% of the beneficiaries that are employed have paid back their loans, 64.7% are in the process of paying back and 29.4% have not

paid. For the beneficiaries who are unemployed, 66.7% have not paid back their loans and 33.3% are in the process of paying back their loans. Only 10.0% of the unemployed beneficiaries have paid back their loans while 90.0% have not paid back.

From this cross-tabulation, the data collected indicates that the employment status of beneficiaries of the students' loan is a factor that affects whether or not the beneficiaries pay back their loans. This is evident from the table; it shows that high percentages (5.9%) of those employed are in the process of paying back their loans as opposed to the 29.4% who have not paid. The self employed beneficiaries have a low percentage of 33.3% in the process of paying back their loans and a high percentage of 66.7% who have not paid back the loans. For the unemployed beneficiaries, only 10.0% are in the process of paying back their loans while 90.0% have not paid back.

Cross tabulations were also made on the status of loan repayment of the beneficiaries of the students' loan against their views on the repayment period and the status of loan repayment of the beneficiaries of the students' loan against their views on the interest rates. The following tables give a representation of the results.

Status of Beneficiaries loan repayment * Beneficiaries views on repayment period Crosstabulation

			Beneficiaries views on repayment period			Total
			long	Too Short	Moderate	
Status of Beneficiaries loan repayment	Paid back	Count	1	0	0	1
		% within Status of Beneficiaries loan repayment	100.0%	.0%	.0%	100.0%
		% within Beneficiaries views on repayment period	16.7%	.0%	.0%	3.3%
	Not paid	Count	2	5	9	16
		% within Status of Beneficiaries loan repayment	12.5%	31.2%	56.2%	100.0%
		% within Beneficiaries views on repayment period	33.3%	50.0%	64.3%	53.3%
	In the process of paying back	Count	3	5	5	13
		% within Status of Beneficiaries loan repayment	23.1%	38.5%	38.5%	100.0%
		% within Beneficiaries views on repayment period	50.0%	50.0%	35.7%	43.3%
Total	Count	6	10	14	30	
	% within Status of Beneficiaries loan repayment	20.0%	33.3%	46.7%	100.0%	
	% within Beneficiaries views on repayment period	100.0%	100.0%	100.0%	100.0%	

Status of Beneficiaries loan repayment * Beneficiaries views on interest rates Crosstabulation

			Beneficiaries views on interest rates			Total
			High	Low	Moderate	
Status of Beneficiaries loan repayment	Paid back	Count	0	1	0	1
		% within Status of Beneficiaries loan repayment	.0%	100.0%	.0%	100.0%
		% within Beneficiaries views on interest rates	.0%	25.0%	.0%	3.3%
	Not paid	Count	14	1	1	16
		% within Status of Beneficiaries loan repayment	87.5%	6.2%	6.2%	100.0%
		% within Beneficiaries views on interest rates	77.8%	25.0%	12.5%	53.3%
	In the process of paying back	Count	4	2	7	13
		% within Status of Beneficiaries loan repayment	30.8%	15.4%	53.8%	100.0%
		% within Beneficiaries views on interest rates	22.2%	50.0%	87.5%	43.3%
Total	Count	18	4	8	30	
	% within Status of Beneficiaries loan repayment	60.0%	13.3%	26.7%	100.0%	
	% within Beneficiaries views on interest rates	100.0%	100.0%	100.0%	100.0%	

From the research carried out, 100.0% of the beneficiaries that have paid back view the interest rates on the loan as low and therefore affordable, 87.5% of the beneficiaries who have not paid back view the interest rates as high while 6.2% feel it is low and moderate respectively. 30.8% of the beneficiaries who are in the process of paying back feel the interest rates are high, 15.4% feel it is low and 53.8% feel it is moderate. This data shows that whether or not beneficiaries pay back their loans is affected by their views on the interest rates in the loans.

The cross tabulation on the status of the loan repayment of beneficiaries against their views on the repayment period also indicates that the repayment period allocated to the repayment of the student loan is a factor that affects the repayment of the loans. From the table, 100.0% of the beneficiaries that have paid back their loans view the repayment period as long enough while the beneficiaries who have not paid back their

loans have a high percentage of 31.2% and 56.2% who view the repayment period as too short and moderate respectively, only 12.5% feel it is long. The beneficiaries who are in the process of paying back also have a high percentage of 38.5% who view the repayment period as short and moderate respectively. It can be noticed that the percentage of beneficiaries who view the repayment period as long are the ones who have the highest percent of beneficiaries who have paid back their loans.

The next chapter provides a summary of the findings generated from the study; it also presents conclusions and recommendations obtained from the research study.

Chapter 5: Findings, Conclusions and Recommendations

5.1 Conclusion

Inferring from the results gathered from the questionnaires and interviews of the student loan representatives, beneficiaries of the students' loan are not motivated to repay their loans due to:

- Lack of awareness on the responsibilities of the beneficiaries of the students loan
- The fear of paying the loan without being recorded as being paid
- The fact that there is no database available to aid the SLTF track the beneficiaries when they default
- Employers do not take the necessary steps of deducting from the salaries of the beneficiaries every month once they are informed that their employees are beneficiaries of the student loans.
- The lack of awareness of the rate in which the beneficiaries' interest rates are compounded as their repayment time increases.

However, one of the representatives that were spoken to at the SLTF pointed out that although tracking down beneficiaries are high, the SLTF send email reminders, and occasionally make calls to the beneficiaries whose numbers are valid or reachable. He stated that most beneficiaries when filling the forms gives wrong numbers in their application forms and thus the STLTF are not able to reach them on phone.

Relating the results of the research carried out on the SLTF in Ghana to the literature available on students loan in China, It is realised that one of the ways the China student's loan scheme tries to reduce its default rate

of loan repayment is by making their repayment periods more flexible, the scheme allows extra time for beneficiaries to pay back based on their situation, the China loan scheme also establishes a relationship with the families of their beneficiaries so they can contact them when it is time for the collection of the loans.

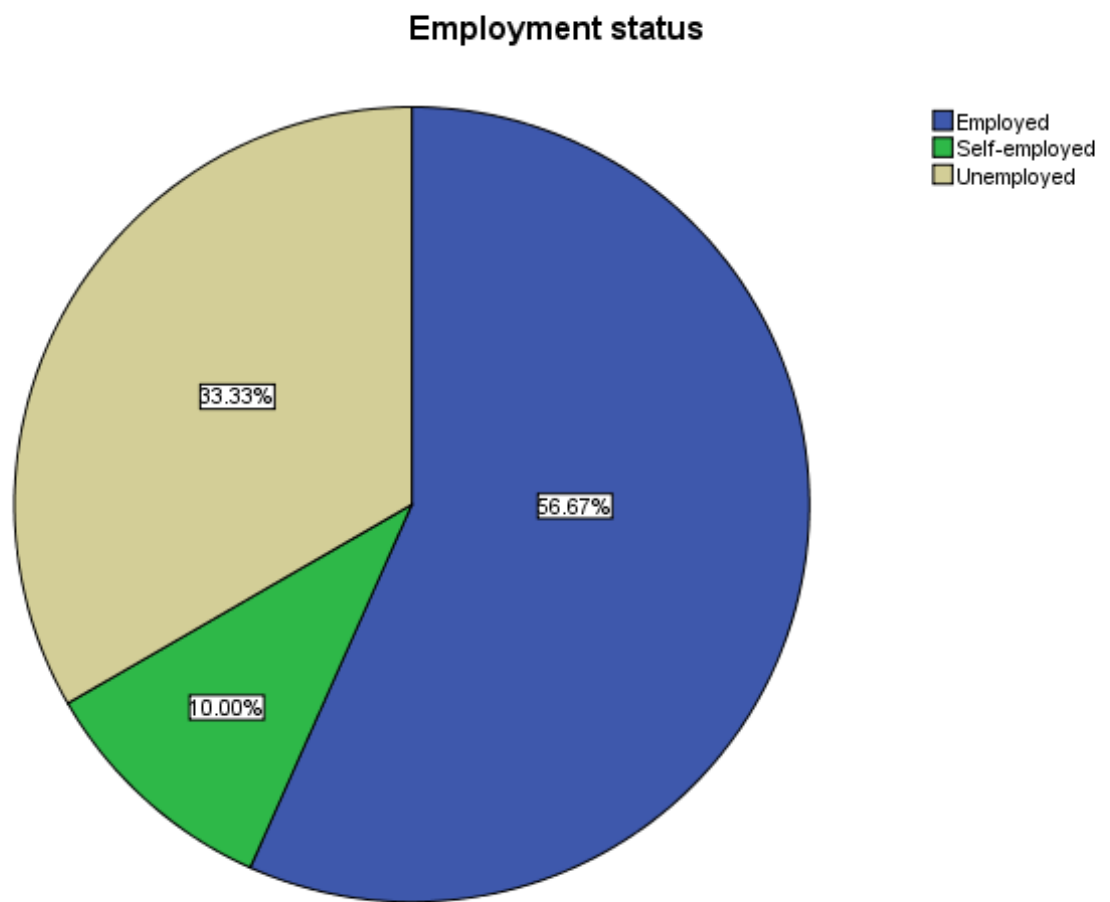
5.2 Recommendations

The SLTF should make provisions for beneficiaries who are unemployed so that when they default they can have some form of extension date given to them. If Ghana can also modify their repayment period policy such as China which realised that it was more practical to incorporate a longer repayment period of six years as opposed to their initial repayment period of four years, there will be a lower percentage of risk of beneficiaries defaulting on the loans. This will help reduce the default risk that the SLTF may be faced with. Partnership can also be formed with a telecommunication provider to only accept registered phone numbers in the names of applicants to the service provider, this way the SLTF can have some degree of assurance that the beneficiaries are giving their real numbers and can be reached at anytime.

The SLTF can also send representatives to different companies to inform them of their legal responsibilities concerning their employees who are beneficiaries of the SLTF. Measures can also be put in place by the SLTF to encourage beneficiaries to pay back their loans by offering discounts to beneficiaries who pay or begin payment during the first two years of repayment period. They should also educate beneficiaries on how their

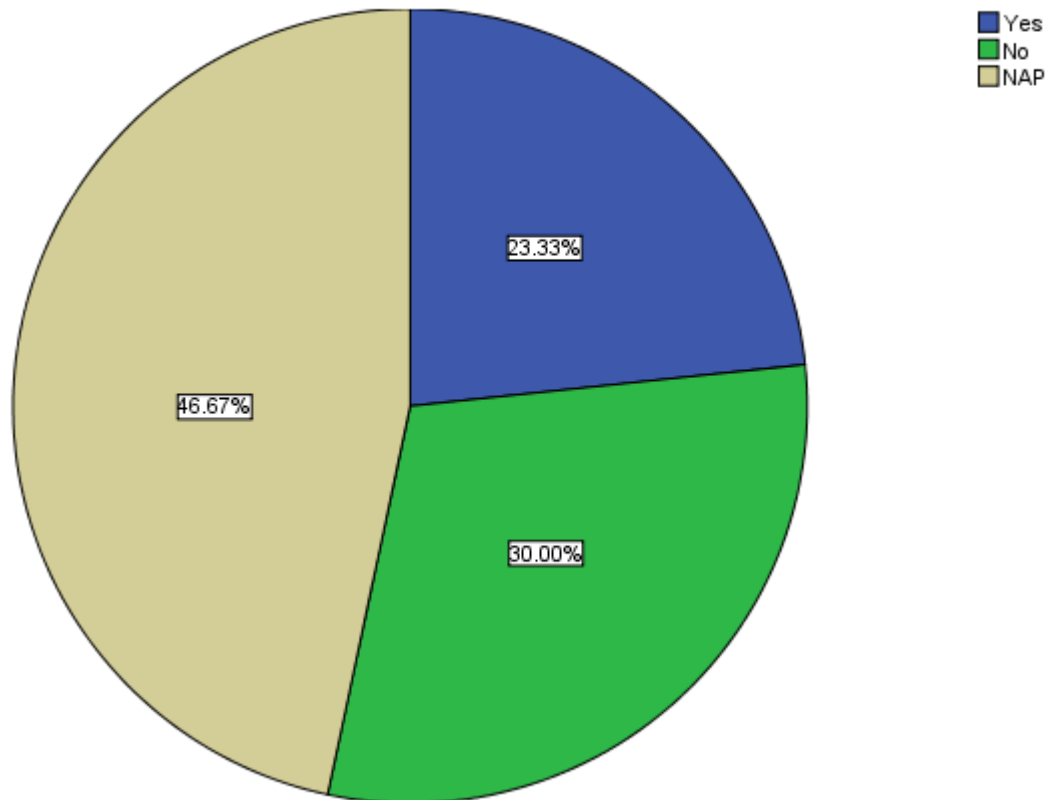
interest rates are being compounded as the repayment period increases; this will serve to help facilitate the rate at which beneficiaries pay back their loans.

Pie chart showing the employment status of the beneficiaries of the SLTF



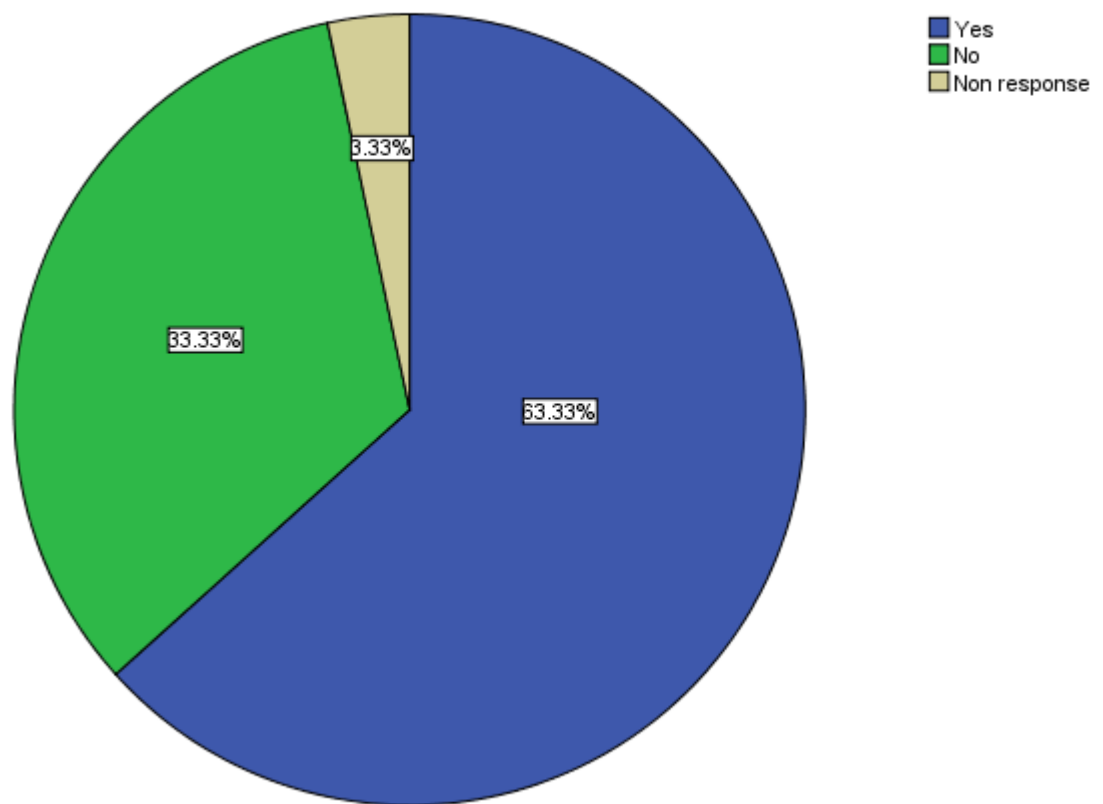
Pie chart showing the beneficiaries that inform their employers of their Students loan debt

Beneficiaries who inform their Employers of their SSNIT Loan



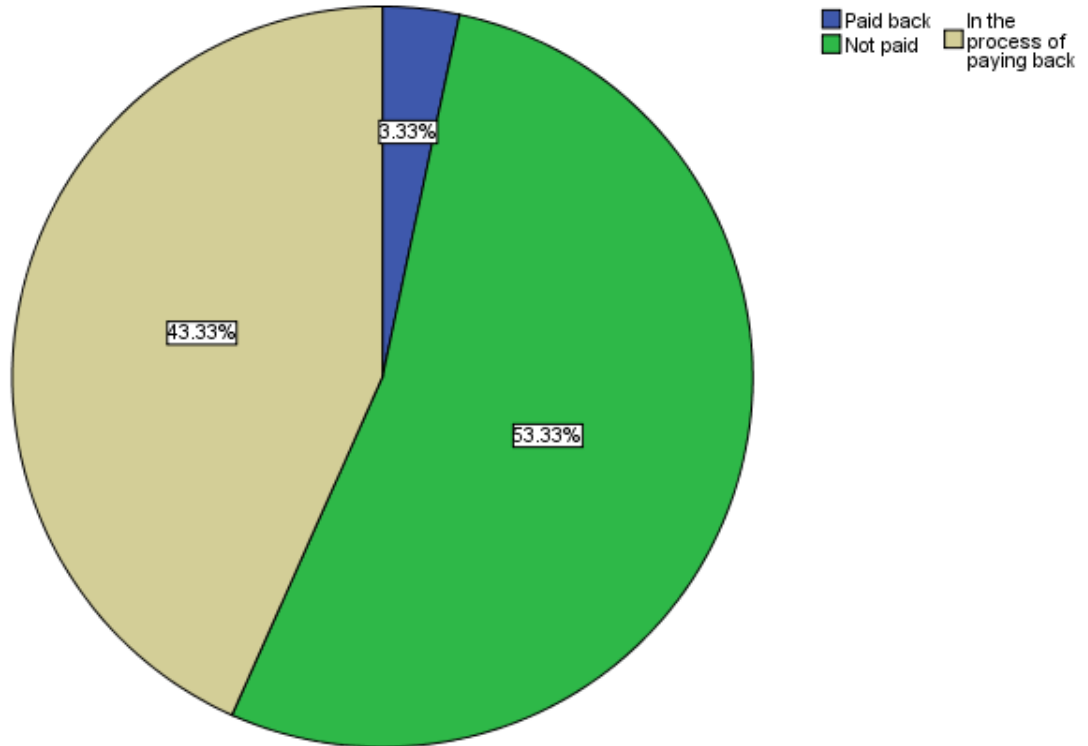
Pie Chart showing the beneficiaries who can afford to pay back their loan based on their employment status

Those who can afford to pay back the Loan based on their employment status



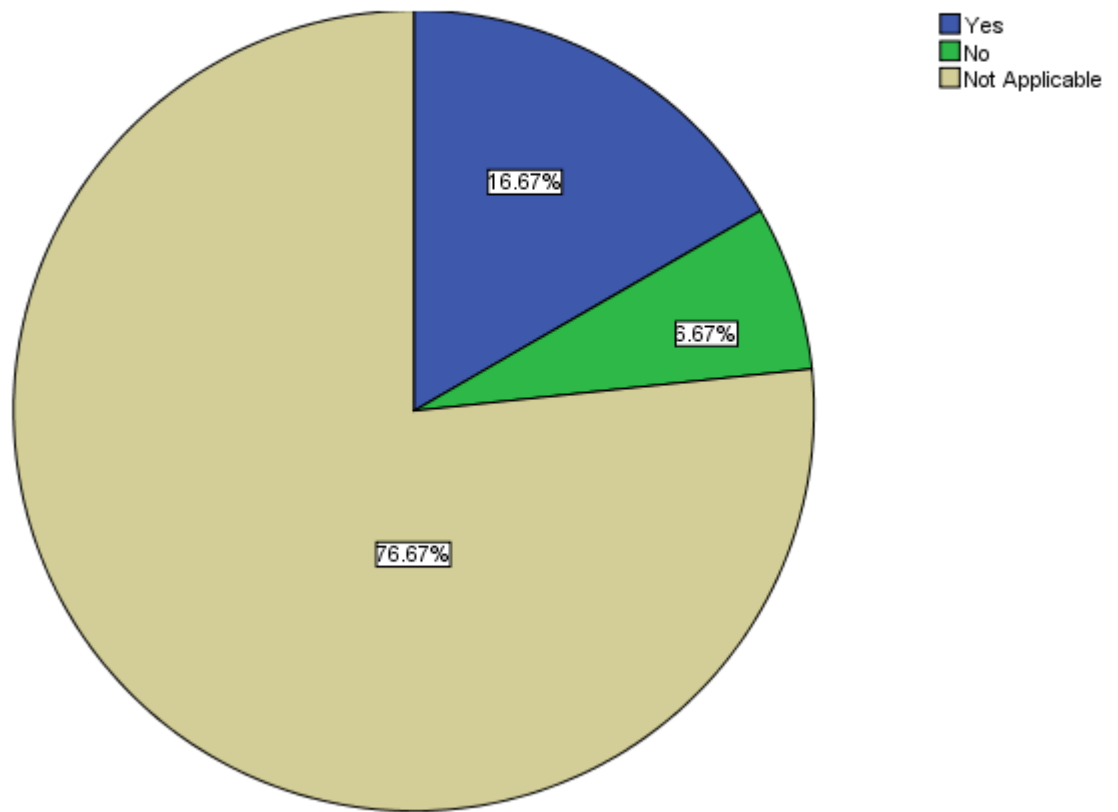
Pie Chart showing the beneficiaries that have paid back their student loan or otherwise

Status of Beneficiaries loan repayment



Pie showing the beneficiaries who are comfortable with monthly deductions taken off their salaries

Those comfortable with the monthly deduction



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APPENDICES

Questionnaires

Graduates who benefitted from the SSNIT loan scheme

1. What is your employment status?

☐

Employed

☐

Self Employed

☐

Unemployed

2. Did you inform your employers of your student loan status?

☐

Yes

☐

No

3. Can you afford to pay back your student loan based on your
employment status?

☐

Yes

☐

No

4. Have you paid your student loan back or are you in the process of
paying back?

☐

Paid Back

☐

Not Paid

☐

In the process of paying back

5. How is your student loan being payed back?

☐

Monthly deduction from your salary

☐

Direct Periodic Payments

☐

Outright Payment of total amount due

6. What is your view on the monthly deductions that are taken off
your salary?

7. Are you comfortable with the monthly deductions?

☐

Yes

☐

No

☐

Not Applicable

8. From your point of view, do you think the interest rates are high, low or moderate?

☐

High

☐

Low

☐

Moderate

9. Is the repayment period of the student loan long, too short or moderate?

☐

Long

☐

Moderate

☐

Too Short

10. What is your opinion on the repayment period of the students' loan?

11. What steps do you think will be helpful in encouraging benefactors like you pay back their loans?

Topic: Investigating the financial commitments of
benefactors of students loan to the repayments in Ghana

Representatives of the SLTF

1) In your opinion are beneficiaries paying back their loans?

2) How are the loan repayments made?

3) Is it mandatory for all the employers of the graduates who benefitted from the SSNIT loan scheme to inform the loan scheme of the employment of the graduates?

4) How will the employers know that their employees were beneficiaries to the SLTF?

5) What measures are put in place to sanction the employers who do not deduct from the salaries of their employees who owe the SLTF?

6) What measures are put in place to sanction beneficiaries who exceed the

repayment period of paying back their loans?
